

CITY OF FOREST CITY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2021

- Prepared By -

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CITY OF FOREST CITY, IOWA

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CITY OF FOREST CITY, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Byron Ruiter	Mayor	January 2024
Ronald Holland	Mayor Pro tem	January 2022
Brad Buffington	Council Member (Appointed)	January 2022
Anthony Mikes	Council Member	January 2022
Win Pehrson	Council Member	January 2022
Dennis Zehren	Council Member	January 2022
Dan Davis	Council Member	January 2024
Leslie Torkelson	Council Member	Resigned
Karl Wooldridge	Council Member	January 2024
Barb Smith	City Administrator/Clerk	December 11, 2020
Daisy Huffman	City Clerk/Administrator	Indefinite
Steve Bakke	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Forest City, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Forest City as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Forest City's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 8 and 32 through 39, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 11, 2021 on my consideration of the City of Forest City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Forest City's internal control over financial reporting and compliance.



Charles City, Iowa
November 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Forest City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 14.4%, or approximately \$709,000 from fiscal year 2020 to fiscal year 2021. Capital grants, contributions and restricted interest and operating grants, contributions and restricted interest increased approximately \$357,000 and \$320,000, respectively. Other general receipts and unrestricted interest on investments decreased approximately \$69,000 and \$39,000, respectively.

Disbursements of the City's governmental activities decreased 3.8%, or approximately \$268,000 in fiscal year 2021 from fiscal year 2020. Public safety and general government disbursements increased approximately \$577,000 and \$253,000, respectively, while capital projects and community and economic development disbursements decreased \$1,295,000 and \$50,000, respectively.

The City's total cash basis net position decreased 0.3%, or approximately \$34,000 from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities increased approximately \$363,000 and the cash basis net position of the business type activities decreased approximately \$397,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system, electric, landfill/garbage, transit and storm sewer. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the Water, Sewer Rental, Electric, Landfill/Garbage, Transit and Storm Sewer Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1,817,000 to approximately \$2,181,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service	\$ 224	\$ 191
Operating grants, contributions and restricted interest	1,030	710
Capital grants, contributions and restricted interest	381	24
General receipts:		
Property tax	2,539	2,559
Tax increment financing	611	570
Local option sales tax	552	466
Unrestricted interest on investments	48	87
Other general receipts	240	309
Total receipts	<u>\$ 5,625</u>	<u>\$ 4,916</u>
Disbursements:		
Public safety	\$ 2,200	\$ 1,623
Public works	833	740
Health and social services	17	17
Culture and recreation	1,030	829
Community and economic development	477	527
General government	462	209
Debt service	1,020	1,067
Capital projects	656	1,951
Total disbursements	<u>\$ 6,695</u>	<u>\$ 6,963</u>
Change in cash basis net position before transfers	\$ (1,070)	\$ (2,047)
Interfund loans	1,006	-
Transfers, net	<u>428</u>	<u>657</u>
Change in cash basis net position	\$ 364	\$ (1,390)
Cash basis net position beginning of year	<u>1,817</u>	<u>3,207</u>
Cash basis net position end of year	<u>\$ 2,181</u>	<u>\$ 1,817</u>

The City's total receipts for governmental activities increased 14.4%, or approximately \$709,000. The total cost of all programs and services decreased approximately \$268,000, or 3.8%, with no new programs added this year. The increase in receipts was primarily the result of Library & EMS donations received during the fiscal year.

The cost of all governmental activities this year was \$6,695,394 compared to \$6,962,704 last year. However, as shown in the Statement of Activities and Net Position on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$5,061,224 because some of the cost was paid by those directly benefited from the programs (\$224,295) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,409,875).

The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous

receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2021 from approximately \$925,000 to approximately \$1,635,000, principally due to an increase in capital grants, contributions and restricted interest.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 741	\$ 722
Sewer	922	931
Electric	5,796	5,595
Transit	68	-
Storm sewer	141	143
Landfill/garbage	674	615
General receipts:		
Unrestricted interest on investments	61	110
Other general receipts	1	5
Total receipts	<u>\$ 8,404</u>	<u>\$ 8,121</u>
Disbursements:		
Water	\$ 545	\$ 440
Sewer	717	698
Electric	5,513	5,529
Transit	83	-
Storm sewer	43	71
Landfill/garbage	466	540
Total disbursements	<u>\$ 7,367</u>	<u>\$ 7,278</u>
Change in cash basis net position before transfers	\$ 1,037	\$ 843
Interfund loans	(1,006)	-
Transfers, net	<u>(428)</u>	<u>(657)</u>
Change in cash basis net position	\$ (397)	\$ 186
Cash basis net position beginning of year	<u>9,863</u>	<u>9,677</u>
Cash basis net position end of year	<u>\$ 9,466</u>	<u>\$ 9,863</u>

Total business type activities receipts for the fiscal year were approximately \$8,404,000 compared to approximately \$8,121,000 last year. This increase was due primarily to additional charges for service received during the year. The cash balance decreased by approximately \$397,000 from the prior year. Total disbursements for the fiscal year increased by 1.2% by a total of approximately \$89,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Forest City completed the year, its governmental funds reported a combined fund balance of \$2,180,802, an increase of \$363,572 from last year's total of \$1,817,230. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$1,559,531 from the prior year to \$967,493. The decrease was due to an increase in all expense functions.

The Debt Service Fund cash balance was \$0 at June 30, 2021. This is a decrease of \$303,460 from the beginning of the year balance of \$303,460 due to transfers out during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Sewer Rental Fund increased \$872,502 to \$914,482, due to transfers in during the year.

The Enterprise, Electric Fund increased \$1,732,590 from the prior year to \$5,452,944. The increase was due to transfers in.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 7, 2021, and resulted in an increase in operating disbursements of \$1,261,957. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the general government and debt service functions for the year ended June 30, 2021.

DEBT ADMINISTRATION

At June 30, 2021, the City had approximately \$9,943,000 in bonds and notes and other long-term debt outstanding, compared to approximately \$11,326,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2021	2020
General obligation notes	\$ 4,352	\$ 5,012
Revenue bonds and notes	4,025	4,485
Bank loan	-	27
Real estate contract	1,566	1,802
Total	<u>\$ 9,943</u>	<u>\$11,326</u>

Debt decreased during the year as a result of scheduled payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,917,626 is significantly below its constitutional debt limit of \$11,671,510. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Forest City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Daisy Huffman, City Administrator/Clerk, 305 North Clark Street, Forest City, Iowa 50436.

Basic Financial Statements

CITY OF FOREST CITY, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS :	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges For Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Public safety	\$ 2,200,006	\$ 6,368	\$ 356,916	\$ -
Public works	833,041	20,177	621,248	156,417
Health and social services	17,006	-	-	-
Culture and recreation	1,029,824	108,335	25,259	223,990
Community and economic development	477,154	-	-	-
General government	461,724	11,933	26,045	-
Debt service	1,020,256	53,712	-	-
Capital projects	<u>656,383</u>	<u>23,770</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 6,695,394</u>	<u>\$ 224,295</u>	<u>\$1,029,468</u>	<u>\$ 380,407</u>
Business type activities:				
Water	\$ 544,956	\$ 741,293	\$ -	\$ -
Sewer	717,068	921,768	-	-
Electric	5,513,130	5,796,363	-	-
Transit	83,346	68,297	-	-
Storm sewer	42,641	141,070	-	-
Landfill/garbage	<u>465,437</u>	<u>674,059</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 7,366,578</u>	<u>\$8,342,850</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 14,061,972</u></u>	<u><u>\$8,567,145</u></u>	<u><u>\$1,029,468</u></u>	<u><u>\$ 380,407</u></u>

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,836,722)	\$ -	\$ (1,836,722)
(35,199)	-	(35,199)
(17,006)	-	(17,006)
(672,240)	-	(672,240)
(477,154)	-	(477,154)
(423,746)	-	(423,746)
(966,544)	-	(966,544)
<u>(632,613)</u>	<u>-</u>	<u>(632,613)</u>
 \$ (5,061,224)	 \$ -	 \$ (5,061,224)
 \$ -	 \$ 196,337	 \$ 196,337
-	204,700	204,700
-	283,233	283,233
-	(15,049)	(15,049)
-	98,429	98,429
<u>-</u>	<u>208,622</u>	<u>208,622</u>
 \$ -	 \$ 976,272	 \$ 976,272
<u>\$ (5,061,224)</u>	<u>\$ 976,272</u>	<u>\$ (4,084,952)</u>

CITY OF FOREST CITY, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Miscellaneous
- Interfund loans
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable:

- Cemetery perpetual care
- Library trust

Expendable:

- Streets
- Debt service
- Other purposes

Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ 1,811,738	\$ -	\$ 1,811,738
727,546	-	727,546
610,985	-	610,985
551,563	-	551,563
47,967	61,126	109,093
240,172	120	240,292
1,006,606	(1,006,606)	-
428,219	(428,219)	-
<u>\$ 5,424,796</u>	<u>\$ (1,373,579)</u>	<u>\$ 4,051,217</u>
\$ 363,572	\$ (397,307)	\$ (33,735)
<u>1,817,230</u>	<u>9,863,235</u>	<u>11,680,465</u>
<u>\$ 2,180,802</u>	<u>\$ 9,465,928</u>	<u>\$ 11,646,730</u>
\$ 48,605	\$ -	\$ 48,605
94,021	-	94,021
574,714	-	574,714
-	588,390	588,390
495,969	-	495,969
967,493	8,877,538	9,845,031
<u>\$ 2,180,802</u>	<u>\$ 9,465,928</u>	<u>\$ 11,646,730</u>

CITY OF FOREST CITY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>
RECEIPTS:	
Property tax	\$ 1,220,398
Local option sales tax	-
Tax increment financing	-
Other city tax	8,736
Licenses and permits	9,561
Use of money and property	77,242
Intergovernmental	373,474
Charges for service	90,865
Special assessments	-
Miscellaneous	392,730
Total receipts	<u>\$ 2,173,006</u>
DISBURSEMENTS:	
Operating:	
Public safety	\$ 1,910,933
Public works	478,383
Health and social services	17,006
Culture and recreation	937,496
Community and economic development	116,189
General government	440,458
Debt service	-
Capital projects	-
Total disbursements	<u>\$ 3,900,465</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (1,727,459)</u>
Other financing sources (uses):	
Interfund loans	\$ -
Transfers in	283,111
Transfers out	(115,183)
Total other financing sources (uses)	<u>\$ 167,928</u>
Change in cash balances	\$ (1,559,531)
Cash balances beginning of year	<u>2,527,024</u>
Cash balances end of year	<u>\$ 967,493</u>
Cash Basis Fund Balances:	
Nonspendable	\$ -
Restricted for:	
Urban renewal purposes	-
Streets	-
Other purposes	-
Unassigned	<u>967,493</u>
Total cash basis fund balances	<u>\$ 967,493</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 727,546	\$ 510,503	\$ 2,458,447
-	551,563	551,563
-	641,926	641,926
-	41,160	49,896
-	-	9,561
-	-	77,242
-	640,248	1,013,722
-	-	90,865
53,712	23,770	77,482
25,379	235,328	653,437
<u>\$ 806,637</u>	<u>\$ 2,644,498</u>	<u>\$ 5,624,141</u>
\$ -	\$ 289,073	\$ 2,200,006
-	354,658	833,041
-	-	17,006
-	92,328	1,029,824
-	360,965	477,154
-	21,266	461,724
1,020,256	-	1,020,256
-	656,383	656,383
<u>\$ 1,020,256</u>	<u>\$ 1,774,673</u>	<u>\$ 6,695,394</u>
<u>\$ (213,619)</u>	<u>\$ 869,825</u>	<u>\$ (1,071,253)</u>
\$ -	\$ 1,006,606	\$ 1,006,606
226,496	747,193	1,256,800
(316,337)	(397,061)	(828,581)
<u>\$ (89,841)</u>	<u>\$ 1,356,738</u>	<u>\$ 1,434,825</u>
\$ (303,460)	\$ 2,226,563	\$ 363,572
303,460	(1,013,254)	1,817,230
<u>\$ -</u>	<u>\$ 1,213,309</u>	<u>\$ 2,180,802</u>
\$ -	\$ 142,626	\$ 142,626
-	196,501	196,501
-	574,714	574,714
-	299,468	299,468
-	-	967,493
<u>\$ -</u>	<u>\$ 1,213,309</u>	<u>\$ 2,180,802</u>

CITY OF FOREST CITY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise</u>	
	<u>Sewer Rental</u>	<u>Electric</u>
Operating receipts:		
Charges for service	\$ 904,904	\$ 5,750,968
Miscellaneous	16,864	37,169
Total operating receipts	<u>\$ 921,768</u>	<u>\$ 5,788,137</u>
Operating disbursements:		
Business type activities	<u>609,913</u>	<u>3,967,224</u>
Excess of operating receipts over operating disbursements	<u>\$ 311,855</u>	<u>\$ 1,820,913</u>
Non-operating receipts (disbursements):		
Interest on investments	\$ 8,122	\$ 42,079
Rents	-	8,226
Miscellaneous	-	120
Debt service	-	(589,490)
Capital projects	<u>(107,155)</u>	<u>(956,416)</u>
Net non-operating receipts (disbursements)	<u>\$ (99,033)</u>	<u>\$ (1,495,481)</u>
Excess of receipts over disbursements	<u>\$ 212,822</u>	<u>\$ 325,432</u>
Other financing sources (uses):		
Interfund loan	\$ -	\$ (1,006,606)
Transfers in	716,423	3,062,818
Transfers out	<u>(56,743)</u>	<u>(649,054)</u>
Total other financing sources (uses)	<u>\$ 659,680</u>	<u>\$ 1,407,158</u>
Change in cash balances	\$ 872,502	\$ 1,732,590
Cash balances beginning of year	<u>41,980</u>	<u>3,720,354</u>
Cash balances end of year	<u>\$ 914,482</u>	<u>\$ 5,452,944</u>
Cash Basis Fund Balances:		
Restricted for debt service	\$ -	\$ -
Committed for:		
Electric	-	-
Unrestricted	<u>914,482</u>	<u>5,452,944</u>
Total cash basis fund balances	<u>\$ 914,482</u>	<u>\$ 5,452,944</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 1,578,029	\$ 8,233,901
26,056	80,089
<u>\$ 1,604,085</u>	<u>\$ 8,313,990</u>
 1,109,226	 5,686,363
 <u>\$ 494,859</u>	 <u>\$ 2,627,627</u>
 \$ 10,925	\$ 61,126
20,634	28,860
-	120
(27,154)	(616,644)
<u>-</u>	<u>(1,063,571)</u>
<u>\$ 4,405</u>	<u>\$ (1,590,109)</u>
 \$ 499,264	 \$ 1,037,518
 \$ -	\$ (1,006,606)
591,156	4,370,397
<u>(4,092,819)</u>	<u>(4,798,616)</u>
<u>\$ (3,501,663)</u>	<u>\$ (1,434,825)</u>
 \$ (3,002,399)	 \$ (397,307)
 6,100,901	 9,863,235
<u>\$ 3,098,502</u>	<u>\$ 9,465,928</u>
 \$ 588,390	\$ 588,390
988,390	988,390
<u>1,521,722</u>	<u>7,889,148</u>
<u>\$ 3,098,502</u>	<u>\$ 9,465,928</u>

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies

The City of Forest City is a political subdivision of the State of Iowa located in Winnebago and Hancock Counties. It was first incorporated August 20, 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and electric utilities and landfill/garbage and transit services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Forest City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: North Iowa Area Council of Governments, Winnebago County Assessor's Conference Board, Hancock County Assessor's Conference Board and Winnebago County E-911 Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies - continued

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Debt Service Fund is utilized to account for property tax and other general receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation, distribution and maintenance of the City's electric plant.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies - continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the general government and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(2) Cash and Pooled Investments - continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds and notes	<u>\$ 5,011,593</u>	<u>\$ -</u>	<u>\$ 659,493</u>	<u>\$4,352,100</u>	<u>\$ 669,689</u>
Business type activities:					
Electric revenue bonds and notes	<u>\$ 4,485,000</u>	<u>\$ -</u>	<u>\$ 460,000</u>	<u>\$4,025,000</u>	<u>\$ 470,000</u>

General Obligation Bonds and Notes

A summary of the City's June 30, 2021 general obligation bonds and notes payable is as follows:

Year Ending June 30,	<u>Essential Corporate Purpose Issued Sept 4, 2013</u>			<u>Essential Corporate Purpose Issued July 21, 2015</u>			<u>Essential Corporate Purpose Issued Sept 21, 2015</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2022	2.60%	\$ 160,000	\$ 26,956	1.80%	\$ 130,000	\$ 14,823	2.25%	\$ 120,000	\$ 16,743
2023	2.75	170,000	22,796	2.00	135,000	12,483	2.50	120,000	14,042
2024	3.10	180,000	18,120	2.15	140,000	9,782	2.75	125,000	11,042
2025	3.20	190,000	12,540	2.30	140,000	6,772	2.85	130,000	7,606
2026	3.40	190,000	6,460	2.45	145,000	3,553	3.00	130,000	3,900
2027-2031		-	-		-	-		-	-
2032-2036		-	-		-	-		-	-
Total		<u>\$ 890,000</u>	<u>\$ 86,872</u>		<u>\$ 690,000</u>	<u>\$ 47,413</u>		<u>\$ 625,000</u>	<u>\$ 53,333</u>

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) Bonds and Notes Payable - continued

Year Ending June 30,	General Obligation Urban Renewal Issued Nov 1, 2016			Essential Corporate Purpose Issued Sept 4, 2018			Total		
	Interest	Principal	Interest	Interest	Principal	Interest	Principal	Interest	Total
	Rates			Rates					
2022	1.00%	\$ 19,689	\$ 3,121	3.00%	\$ 240,000	\$ 54,900	\$ 669,689	\$ 116,543	\$ 786,232
2023	1.00	19,886	2,924	3.00	245,000	47,700	689,886	99,945	789,831
2024	1.00	20,084	2,726	3.00	255,000	40,350	720,084	82,020	802,104
2025	1.00	20,286	2,524	3.00	260,000	32,700	740,286	62,142	802,428
2026	1.00	20,489	2,321	3.00	270,000	24,900	755,489	41,134	796,623
2027-2031	1.00	105,570	8,480	3.00	560,000	25,350	665,570	33,830	699,400
2032-2036	1.00	111,096	3,081		-	-	111,096	3,081	114,177
Total		\$ 317,100	\$ 25,177		\$1,830,000	\$225,900	\$4,352,100	\$ 438,695	\$4,790,795

On September 4, 2013, the City issued \$2,300,000 of general obligation notes with interest rates ranging from 2.00% to 3.40% per annum. The notes were issued for demolishing an existing street shed and constructing an emergency services center. During the year ended June 30, 2021, the City paid \$160,000 of principal and \$30,635 of interest on the notes.

On July 21, 2015, the City issued \$1,445,000 of general obligation bonds with interest rates ranging from 0.50% to 2.45% per annum. The bonds were issued for refunding existing general obligation indebtedness. During the year ended June 30, 2021, the City paid \$125,000 of principal and \$16,822 of interest on the bonds.

On September 21, 2015, the City issued \$1,200,000 of general obligation notes with interest rates ranging from 1.50% to 3.00% per annum. The notes were issued for street and sidewalk improvements. During the year ended June 30, 2021, the City paid \$120,000 of principal and \$19,442 of interest on the notes.

On November 1, 2016, the City issued \$751,000 of urban renewal notes with an interest rate of 1.00% per annum. The notes were issued for undertaking an urban renewal project to construct workforce housing and install infrastructure improvements. During the year ended June 30, 2021, the City paid \$19,493 of principal and \$3,317 of interest on the notes.

On September 4, 2018, the City issued \$2,300,000 of general obligation bonds with an interest rate of 3.00% per annum. The bonds were issued for constructing street, water system, sanitary sewer system, sidewalk, storm water drainage and gutter improvements. During the year ended June 30, 2021, the City paid \$235,000 of principal and \$61,950 of interest on the bonds.

Revenue Bonds and Notes

A summary of the City's June 30, 2021 revenue bonds and notes payable is as follows:

Year Ending June 30,	Electric Issued Oct 1, 2014			Electric Issued Sept 4, 2018			Total		
	Interest	Principal	Interest	Interest	Principal	Interest	Principal	Interest	Total
	Rates			Rates					
2022	2.50%	\$ 240,000	\$ 19,004	2.40%	\$ 230,000	\$ 99,158	\$ 470,000	\$118,162	\$ 588,162
2023	2.55	245,000	13,004	2.50	235,000	93,638	480,000	106,642	586,642
2024	2.65	255,000	6,758	2.65	240,000	87,762	495,000	94,520	589,520
2025	-	-	-	2.75	250,000	81,402	250,000	81,402	331,402
2026	-	-	-	2.85	255,000	74,528	255,000	74,528	329,528
2027-2031	-	-	-	2.95-3.30	1,430,000	252,326	1,430,000	252,326	1,682,326
2032-2033	-	-	-	3.40-3.50	645,000	33,810	645,000	33,810	678,810
Total		\$ 740,000	\$ 38,766		\$3,285,000	\$722,624	\$4,025,000	\$761,390	\$4,786,390

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) Bonds and Notes Payable - continued

On October 1, 2014, the City issued \$2,330,000 of electric revenue notes, and on September 4, 2018, the City issued \$3,945,000 of electric revenue bonds to provide financing for the construction of improvements to the municipal electric plant and electric grid. The bonds and notes bear interest at rates ranging from 2.00% to 3.50%, per annum, and mature in 2033. During the year ended June 30, 2021, the City paid principal of \$235,000 and interest of \$24,057 on the notes and principal of \$225,000 and interest of \$104,333 on the bonds.

The City has pledged future electric customer receipts, net of specified operating disbursement, to repay \$6,275,000 in electric revenue bonds and notes issued in October 2014 and September 2018. The bonds and notes are payable solely from electric customer net receipts. Annual principal and interest payments on the bonds and notes are expected to require less than 75% of net receipts. The total principal and interest remaining to be paid on the bonds and notes is \$4,786,390. For the current year, principal and interest paid and total customer net receipts were \$588,390 and \$1,820,913, respectively.

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- a) At the option of the City, electric revenue bonds maturing after June 1, 2021 may be called for redemption and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par plus accrued interest to date of call.
- b) The bonds and notes will only be redeemed from the future earnings of the enterprise activities and bond holders hold a lien on the future earnings of the funds.
- c) Sufficient monthly transfers shall be made to a separate electric revenue bond sinking account within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.
- d) A transfer shall be made from the bond proceeds to the electric revenue bond reserve account within the Enterprise Funds in an amount equal to the principal and interest payments for the fiscal year. The reserve accounts are restricted for the purpose of paying principal and interest due on the revenue bonds when insufficient money is available in the revenue bond sinking account.
- e) Additional monthly transfers shall be made to an electric revenue improvement account within the Enterprise Funds until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other funds might be unable to make.

Real Estate Contracts

On February 11, 2011, the City of Forest City acquired the local 18 hole golf course known as Bear Creek Run Golf Course for \$250,000. The terms of the purchase were \$150,000 down payment with the balance of \$100,000 payable in annual installments of \$10,000 per annum. These payments are then assigned to Bear Creek Run Golf Course, Inc. for purposes of management of the golf course. The golf course contract is non-interest bearing with the final payment due February 11, 2021. The contract was paid off as of June 30, 2021.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) Bonds and Notes Payable - continued

On April 9, 2018 and August 15, 2018, the City of Forest City entered into two loan agreements for the construction of a new fine arts center in the amount not to exceed \$2,000,000. The loans are non-interest bearing with annual installments of \$115,385 and \$111,111 per annum with final payment due July 1, 2027 and July 31, 2028. The loan balances at June 30, 2021 are \$769,230 and \$796,296.

Bank Loan Agreement

On March 22, 2018, the City entered into a loan agreement with a local bank for \$104,500 to finance the purchase of a street sweeper. The loan bears an interest rate of 2.50% per annum and was to be repaid within three years. During the year ended June 30, 2021, payments of \$26,875 were made on the loan. The balance was paid off as of June 30, 2021.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.50% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$264,745.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$1,811,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.217751%, which was an increase of 0.002688% from its proportion measured as of June 30, 2019.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$362,404, \$475,383 and \$247,785, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	<u>3.0</u>	3.11
Total	<u>100.0%</u>	

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$3,429,124	\$1,811,031	\$ 454,817

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$375,047 and plan members eligible for benefits contributed \$109,676 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City of Forest City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>47</u>
Total	<u><u>49</u></u>

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp and personal leave hours for subsequent use or for payment upon termination, retirement or death at rates dependent on years of service. However, sick leave may be accumulated but is forfeited if not used. Certain employees are allowed to accumulate vested compensatory time off for overtime at one and one-half times the hours worked. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, comp and personal leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 238,326
Compensatory time	49,616
Personal	5,964
Total	<u>\$ 293,906</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Economic Development

On July 1, 2009, the City loaned \$15,000 to Hansen Hardware. The loan proceeds were used to operate a hardware business in Forest City. The loan bears interest at 3%. Hansen Hardware is obligated to repay the City in monthly installments of \$270 beginning July 1, 2011. The loan balance at June 30, 2021 was \$5,125.

On July 1, 2009, the City loaned \$15,000 to Tora Buffington. The loan proceeds were used to start up and operate a book store in Forest City. The loan bears interest at 3%. Tora Buffington is obligated to repay the City in monthly installments of \$270 beginning July 1, 2011. The loan balance at June 30, 2021 was paid off.

On May 1, 2010, the City loaned \$15,000 to Standard Exchange. The loan proceeds were used to start up and operate a business in Forest City. The loan bears interest at 3%. Standard Exchange is obligated to repay the City in monthly installments of \$270 beginning July 1, 2012. The loan balance at June 30, 2021 was \$12,559.

On May 1, 2017, the City loaned \$56,500 to Bear Creek Run Golf Course. The loan proceeds were used to buy mowers. The loan bears interest at 2.50%. Bear Creek Run Golf Course is obligated to repay the City in bi-monthly installments of \$1,003 beginning May 1, 2017. The loan balance at June 30, 2021 was \$5,335.

(9) Forgivable Loan

On August 31, 2004, the City loaned \$52,000 to CDI, Inc. The loan proceeds were used to operate a painting facility in Forest City. The amount loaned by the City is forgivable and had a balance of \$52,000 at June 30, 2021.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 3,111
	Enterprise:	
	Electric	280,000
		<u>\$ 283,111</u>
Special Revenue:	Special Revenue:	
CDBG	Low/Moderate Income	\$ 4,863
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>\$ 226,496</u>
Capital Projects:	Special Revenue:	
Westown Place	Tax Increment Financing	\$ 70,561
	Debt Service	229,749
Hanson Fine Arts Center	Debt Service	50,504
TIF - Dollar General	Special Revenue:	
	Tax Increment Financing	9,330
TIF - Mayes Education	Tax Increment Financing	15,968
Motel Project	Debt Service	36,084
	Capital Projects:	
	Capital Projects	8,705
2018-2020 Street Projects	General	100,134
Caseys Store	Special Revenue:	
	Local Option Sales Tax	22,328
J Street Trail	Enterprise:	
	Sewer	56,743
	Electric	106,525
13 th Street Paving	Special Revenue:	
	Road Use Tax	35,699
		<u>\$ 742,330</u>
Enterprise:	Enterprise:	
Water	Water Sinking	\$ 129,598
	Water Improvement	53,980
		<u>\$ 183,578</u>
Sewer Rental	Sewer Sinking	\$ 161,990
	Sewer Reserve	554,433
		<u>\$ 716,423</u>
Electric	Water	\$ 413,866
	Electric Reserve	1,745,508
	Electric Capital	903,444
		<u>\$3,062,818</u>
Electric Sinking	Electric	<u>\$ 262,529</u>
Transit	General	<u>\$ 15,049</u>
Storm Sewer	Enterprise:	
	Storm Sewer Reserve	<u>\$ 130,000</u>
Total		<u><u>\$5,627,197</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(11) Loans

Interfund Loan Agreements

During the year ended June 30, 2021, the Special Revenue, Local Option Sales Tax Fund loaned \$496,978.94 to the Capital Projects, Motel Project Fund for the purpose of eliminating the deficit. The loan bears no interest. As of June 30, 2021, no repayments had been made, leaving a balance of \$496,978.94.

During the year ended June 30, 2021, the Enterprise, Electric Fund loaned \$515,413.20 to the Capital Projects, 2018-2020 Street Projects Fund for the purpose of eliminating the deficit. The loan bears no interest. As of June 30, 2021, no repayments had been made, leaving a balance of \$515,413.20.

During the year ended June 30, 2021, the Enterprise, Electric Fund loaned \$491,192.52 to the Capital Projects, Library Fund for the purpose of eliminating the deficit. The loan bears no interest. As of June 30, 2021, no repayments had been made, leaving a balance of \$491,192.52.

(12) Golf Course Management Agreement

On February 11, 2011, the City entered into a management agreement with Bear Creek Run Golf Club, Inc. (Manager) for the purpose of managing the City owned 18 hole golf course. This ten year renewable agreement that runs through March 31, 2031 stipulates that the Manager has the exclusive privilege and obligation to operate the Golf Course, including, but not limited to, maintenance, memberships, cart rentals, restaurant and banquet facilities, merchandise and special events. The City receives no payment for this agreement.

(13) Commitments

At June 30, 2021, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Paving	\$ 536,067	\$ 529,264
Nerem Industrial Park Utility	81,605	57,143
2020 13 th St. Improvements	333,833	-
Electrical System Improvement	287,498	-
Rehabilitate Taxiway Lighting	99,918	-
Electric Meter Cutover Project	41,103	-
Chamber/Visitor Center Parking Lot	70,859	-
Total	<u>\$ 1,450,883</u>	<u>\$ 586,407</u>

(14) Development Agreements

The City has entered into a development agreement with Westtown Place, LLC (developer) for new construction with a minimum assessed value of \$1,500,000. The City agreed to pay the developer an amount not to exceed \$668,450 subject to annual appropriation by the City Council. The agreement requires up to twelve annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$49,115 of incremental property tax to the developer. At June 30, 2021, the remaining balance to be paid on the agreement was \$619,335.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(14) Development Agreements - continued

The City has entered into a development agreement with Prairie View Subdivision (developer) for new housing. The City agreed to pay the developer an amount not to exceed \$435,805 subject to annual appropriation by the City Council. The agreement requires up to fifteen annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$54,662 of incremental property tax to the developer. There is no balance remaining at June 30, 2021.

The City has entered into a development agreement with Prairie View Subdivision (developer) for new low to moderate income housing. The City agreed to pay the developer an amount not to exceed \$663,000 subject to annual appropriation by the City Council. The agreement requires up to fifteen annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$10,588 of incremental property tax to the developer. There is no balance remaining at June 30, 2021.

The City has entered into a development agreement with Mayes Education (developer) for job retention and creation and enrollment retention with a minimum assessed value of \$5,850,000. The City agreed to pay the developer an amount not to exceed \$3,005,079 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$84,886 of incremental property tax to the developer. At June 30, 2021, the balance on the agreement was paid off.

The City has entered into a development agreement with Forest City Hospitality, LLC (developer) for hotel development with a minimum assessed value of \$2,774,948. The City agreed to pay the developer an amount not to exceed \$500,000 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated no property tax to the developer. At June 30, 2021, the remaining balance to be paid on the agreement was \$500,000.

(15) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

CITY OF FOREST CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(15) **Tax Abatements** - continued

For the year ended June 30, 2021, the City did not abate any property tax under the urban renewal and economic development projects.

Tax Abatement of Other Entities

Property tax revenues of the City were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entity:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
---------------	------------------------------	-----------------------------

None

(16) **COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economics, including the City of Forest City.

To date, the outbreak has not created a material disruption to the operations of the City of Forest City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Forest City.

(17) **Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

CITY OF FOREST CITY, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2021

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	\$ 2,458,447	\$ -	\$ -
Tax increment financing	641,926	-	-
Other city tax	601,459	-	-
Licenses and permits	9,561	-	-
Use of money and property	77,242	89,986	-
Intergovernmental	1,013,722	-	-
Charges for service	90,865	8,313,990	-
Special assessments	77,482	-	-
Miscellaneous	653,437	120	-
Total receipts	<u>\$ 5,624,141</u>	<u>\$ 8,404,096</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 2,200,006	\$ -	\$ -
Public works	833,041	-	-
Health and social services	17,006	-	-
Culture and recreation	1,029,824	-	-
Community and economic development	477,154	-	-
General government	461,724	-	-
Debt service	1,020,256	-	-
Capital projects	656,383	-	-
Business type activities	-	7,366,578	-
Total disbursements	<u>\$ 6,695,394</u>	<u>\$ 7,366,578</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (1,071,253)	\$ 1,037,518	\$ -
Other financing sources, net	<u>1,434,825</u>	<u>(1,434,825)</u>	<u>-</u>
Change in balances	\$ 363,572	\$ (397,307)	\$ -
Balances beginning of year	<u>1,817,230</u>	<u>9,863,235</u>	<u>-</u>
Balances end of year	<u>\$ 2,180,802</u>	<u>\$ 9,465,928</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 2,458,447	\$ 2,362,952	\$ 2,362,952	\$ 95,495
641,926	674,475	674,475	(32,549)
601,459	531,645	531,645	69,814
9,561	8,650	8,650	911
167,228	125,928	125,928	41,300
1,013,722	1,392,166	1,392,166	(378,444)
8,404,855	8,146,900	8,146,900	257,955
77,482	50,000	50,000	27,482
653,557	2,474,379	2,474,379	(1,820,822)
<u>\$ 14,028,237</u>	<u>\$15,767,095</u>	<u>\$15,767,095</u>	<u>\$ (1,738,858)</u>
\$ 2,200,006	\$ 1,573,990	\$ 2,293,997	\$ 93,991
833,041	1,301,960	1,477,210	644,169
17,006	17,250	17,250	244
1,029,824	960,740	1,220,140	190,316
477,154	639,900	639,900	162,746
461,724	223,793	281,093	(180,631)
1,020,256	1,020,156	1,020,156	(100)
656,383	1,506,000	1,506,000	849,617
7,366,578	9,842,758	9,892,758	2,526,180
<u>\$ 14,061,972</u>	<u>\$17,086,547</u>	<u>\$18,348,504</u>	<u>\$ 4,286,532</u>
\$ (33,735)	\$ (1,319,452)	\$ (2,581,409)	\$ 2,547,674
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ (33,735)	\$ (1,319,452)	\$ (2,581,409)	\$ 2,547,674
<u>11,680,465</u>	<u>11,190,143</u>	<u>11,190,143</u>	<u>490,322</u>
<u>\$ 11,646,730</u>	<u>\$ 9,870,691</u>	<u>\$ 8,608,734</u>	<u>\$ 3,037,996</u>

CITY OF FOREST CITY, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,261,957. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the general government and debt service functions.

CITY OF FOREST CITY, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS * (IN THOUSANDS)

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.217751%	0.215063%
City's proportionate share of the net pension liability	\$ 1,811	\$ 1,401
City's covered payroll	\$ 2,890	\$ 2,831
City's proportionate share of the net pension liability as a percentage of its covered payroll	62.66%	49.49%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.215347%	0.219985%	0.213822%	0.214477%	0.216269%
\$ 1,524	\$ 1,627	\$ 1,524	\$ 1,135	\$ 833
\$ 2,753	\$ 2,652	\$ 2,470	\$ 2,330	\$ 2,310
55.36%	61.35%	61.70%	38.71%	36.06%
83.62%	82.21%	81.82%	85.19%	87.61%

CITY OF FOREST CITY, IOWA
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS (IN THOUSANDS)

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 265	\$ 258
Contributions in relation to the statutorily required contribution	<u>(265)</u>	<u>(258)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,890	\$ 2,831
Contributions as a percentage of covered payroll	9.17%	9.11%

See Accompanying Independent Auditor's Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 251	\$ 228	\$ 227	\$ 214	\$ 214
(251)	(228)	(227)	(214)	(214)
\$ —	\$ —	\$ —	\$ —	\$ —
\$ 2,753	\$ 2,652	\$ 2,470	\$ 2,330	\$ 2,310
9.12%	8.60%	9.19%	9.18%	9.26%

CITY OF FOREST CITY, IOWA
NOTES TO OTHER INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

CITY OF FOREST CITY, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Special				
	Road Use Tax	Employee Benefits	Emergency	Local Option Sales Tax	Hotel Motel Tax
RECEIPTS:					
Property tax	\$ -	\$ 510,151	\$ 352	\$ -	\$ -
Local option sales tax	-	-	-	551,563	-
Tax increment financing	-	-	-	-	-
Other city tax	-	-	-	-	41,160
Intergovernmental	621,248	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	10,431	-	-	-	-
Total receipts	\$ 631,679	\$ 510,151	\$ 352	\$ 551,563	\$ 41,160
DISBURSEMENTS:					
Operating:					
Public safety	\$ -	\$ 289,073	\$ -	\$ -	\$ -
Public works	266,718	87,940	-	-	-
Culture and recreation	-	92,328	-	-	-
Community and economic development	-	-	-	-	32,928
General government	-	21,266	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	\$ 266,718	\$ 490,607	\$ -	\$ -	\$ 32,928
Excess (deficiency) of receipts over (under) disbursements	\$ 364,961	\$ 19,544	\$ 352	\$ 551,563	\$ 8,232
Other financing sources(uses):					
Interfund loans	\$ -	\$ -	\$ -	\$ (496,979)	\$ -
Transfers in	-	-	-	-	-
Transfers out	(35,699)	-	(3,111)	(22,328)	-
Total other financing sources(uses)	\$ (35,699)	\$ -	\$ (3,111)	\$ (519,307)	\$ -
Change in cash balances	\$ 329,262	\$ 19,544	\$ (2,759)	\$ 32,256	\$ 8,232
Cash balances beginning of year	245,452	115,177	2,759	95,515	28,744
Cash balances end of year	\$ 574,714	\$ 134,721	\$ -	\$ 127,771	\$ 36,976
Cash Basis Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for other purpose	574,714	134,721	-	127,771	36,976
Total cash basis fund balances	\$ 574,714	\$ 134,721	\$ -	\$ 127,771	\$ 36,976

(continued)

Revenue			Capital Projects					
Tax Incremental Financing	Low Moderate Income	CDBG	Capital Projects	Westtown Place	Aquatic Center	Hanson Fine Arts Center	TIF - Dollar General	TIF- Mayes Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
610,985	30,941	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	19,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 610,985</u>	<u>\$ 30,941</u>	<u>\$19,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
288,663	15,511	23,863	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	4,151	4,445	-	-
<u>\$ 288,663</u>	<u>\$ 15,511</u>	<u>\$23,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,151</u>	<u>\$ 4,445</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 322,322	\$ 15,430	\$ (4,863)	\$ -	\$ -	\$ (4,151)	\$ (4,445)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	4,863	-	300,310	-	50,504	9,330	15,968
(322,355)	(4,863)	-	(8,705)	-	-	-	-	-
<u>\$ (322,355)</u>	<u>\$ (4,863)</u>	<u>\$ 4,863</u>	<u>\$ (8,705)</u>	<u>\$300,310</u>	<u>\$ -</u>	<u>\$ 50,504</u>	<u>\$ 9,330</u>	<u>\$ 15,968</u>
\$ (33)	\$ 10,567	\$ -	\$ (8,705)	\$300,310	\$ (4,151)	\$ 46,059	\$ 9,330	\$ 15,968
33	185,934	-	8,705	(300,310)	4,151	(46,059)	(9,330)	(15,968)
<u>\$ -</u>	<u>\$196,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	196,501	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$196,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST CITY, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Capital Projects				
	2018-2020				
	Motel Project	Street Projects	Library	Caseys Store	J Street Trail
RECEIPTS:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales tax	-	-	-	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Special assessments	-	23,770	-	-	-
Miscellaneous	-	-	223,990	307	-
Total receipts	\$ -	\$ 23,770	\$ 223,990	\$ 307	\$ -
DISBURSEMENTS:					
Operating:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Capital projects	2,066	216,392	142,856	15,821	270,652
Total disbursements	\$ 2,066	\$ 216,392	\$ 142,856	\$ 15,821	\$ 270,652
Excess (deficiency) of receipts over (under) disbursements	\$ (2,066)	\$ (192,622)	\$ 81,134	\$ (15,514)	\$ (270,652)
Other financing sources(uses):					
Interfund loans	\$ 496,979	\$ 515,413	\$ 491,193	\$ -	\$ -
Transfers in	44,789	100,134	-	22,328	163,268
Transfers out	-	-	-	-	-
Total other financing sources(uses)	\$ 541,768	\$ 615,547	\$ 491,193	\$ 22,328	\$ 163,268
Change in cash balances	\$ 539,702	\$ 422,925	\$ 572,327	\$ 6,814	\$ (107,384)
Cash balances beginning of year	(539,702)	(422,925)	(572,327)	(6,814)	107,384
Cash balances end of year	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Basis Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	-	-	-	-	-
Total cash basis fund balances	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditor's Report.

SCHEDULE 1
(continued)

<u>13th Street Paving</u>	<u>Permanent</u>		<u>Total</u>
	<u>Cemetery Perpetual Care</u>	<u>Library Trust</u>	
\$ -	\$ -	\$ -	\$ 510,503
-	-	-	551,563
-	-	-	641,926
-	-	-	41,160
-	-	-	640,248
-	-	-	23,770
-	600	-	235,328
<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 2,644,498</u>
\$ -	\$ -	\$ -	\$ 289,073
-	-	-	354,658
-	-	-	92,328
-	-	-	360,965
-	-	-	21,266
-	-	-	656,383
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,774,673</u>
<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 869,825</u>
\$ -	\$ -	\$ -	\$ 1,006,606
35,699	-	-	747,193
<u>-</u>	<u>-</u>	<u>-</u>	<u>(397,061)</u>
<u>\$ 35,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,356,738</u>
\$ 35,699	\$ 600	\$ -	\$ 2,226,563
(35,699)	48,005	94,021	(1,013,254)
<u>\$ -</u>	<u>\$ 48,605</u>	<u>\$ 94,021</u>	<u>\$ 1,213,309</u>
\$ -	\$ 48,605	\$ 94,021	\$ 142,626
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,070,683</u>
<u>\$ -</u>	<u>\$ 48,605</u>	<u>\$ 94,021</u>	<u>\$ 1,213,309</u>

CITY OF FOREST CITY, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise		
	Water	Water Sinking	Water Improvement
Operating receipts:			
Charges for service	\$ 703,232	\$ -	\$ -
Miscellaneous	17,427	-	-
Total operating receipts	\$ 720,659	\$ -	\$ -
Operating disbursements:			
Business type activities	544,956	-	-
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 175,703	\$ -	\$ -
Non-operating receipts (disbursements):			
Interest on investments	\$ 10,925	\$ -	\$ -
Rents	20,634	-	-
Debt service	-	-	-
Net non-operating receipts (disbursements)	\$ 31,559	\$ -	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ 207,262	\$ -	\$ -
Other financing sources(uses):			
Transfers in	\$ 183,578	\$ -	\$ -
Transfers out	(413,866)	(129,598)	(53,980)
Total other financing sources(uses)	\$ (230,288)	\$ (129,598)	\$ (53,980)
Change in cash balances	\$ (23,026)	\$ (129,598)	\$ (53,980)
Cash balances beginning of year	786,793	129,598	53,980
Cash balances end of year	\$ 763,767	\$ -	\$ -
Cash Basis Fund Balances:			
Restricted for debt service	\$ -	\$ -	\$ -
Committed for:			
Electric	-	-	-
Unrestricted	763,767	-	-
Total cash basis fund balances	\$ 763,767	\$ -	\$ -

(continued)

<u>Sewer Sinking</u>	<u>Sewer Reserve</u>	<u>Electric Sinking</u>	<u>Electric Reserve</u>	<u>Electric Capital</u>	<u>Landfill/ Garbage</u>	<u>Transit</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 665,430	\$ 68,297
-	-	-	-	-	8,629	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,059	\$ 68,297
-	-	-	-	-	465,437	83,346
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,622	\$ (15,049)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,622	\$ (15,049)
\$ -	\$ -	\$ 262,529	\$ -	\$ -	\$ -	\$ 15,049
(161,990)	(554,433)	-	(1,745,508)	(903,444)	-	-
\$ (161,990)	\$ (554,433)	\$ 262,529	\$ (1,745,508)	\$ (903,444)	\$ -	\$ 15,049
\$ (161,990)	\$ (554,433)	\$ 262,529	\$ (1,745,508)	\$ (903,444)	\$ 208,622	\$ -
161,990	554,433	325,861	2,333,898	1,303,444	251,466	-
\$ -	\$ -	\$ 588,390	\$ 588,390	\$ 400,000	\$ 460,088	\$ -
\$ -	\$ -	\$ 588,390	\$ -	\$ -	\$ -	\$ -
-	-	-	588,390	400,000	-	-
-	-	-	-	-	460,088	-
\$ -	\$ -	\$ 588,390	\$ 588,390	\$ 400,000	\$ 460,088	\$ -

CITY OF FOREST CITY, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise		
	Storm Sewer	Storm Sewer Reserve	Total
Operating receipts:			
Charges for service	\$ 141,070	\$ -	\$ 1,578,029
Miscellaneous	-	-	26,056
Total operating receipts	\$ 141,070	\$ -	\$ 1,604,085
Operating disbursements:			
Business type activities	15,487	-	1,109,226
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 125,583	\$ -	\$ 494,859
Non-operating receipts (disbursements):			
Interest on investments	\$ -	\$ -	\$ 10,925
Rents	-	-	20,634
Debt service	(27,154)	-	(27,154)
Net non-operating receipts (disbursements)	\$ (27,154)	\$ -	\$ 4,405
Excess (deficiency) of receipts over (under) disbursements	\$ 98,429	\$ -	\$ 499,264
Other financing sources(uses):			
Transfers in	\$ 130,000	\$ -	\$ 591,156
Transfers out	-	(130,000)	(4,092,819)
Total other financing sources(uses)	\$ 130,000	\$ (130,000)	\$ (3,501,663)
Change in cash balances	\$ 228,429	\$ (130,000)	\$ (3,002,399)
Cash balances beginning of year	69,438	130,000	6,100,901
Cash balances end of year	\$ 297,867	\$ -	\$ 3,098,502
Cash Basis Fund Balances:			
Restricted for debt service	\$ -	\$ -	\$ 588,390
Committed for:			
Electric	-	-	988,390
Unrestricted	297,867	-	1,521,722
Total cash basis fund balances	\$ 297,867	\$ -	\$ 3,098,502

See Accompanying Independent Auditor's Report.

CITY OF FOREST CITY, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Receipts:				
Property tax	\$2,458,447	\$2,471,717	\$2,463,478	\$2,498,549
Local option sales tax	551,563	-	-	-
Tax increment financing	641,926	592,872	491,497	618,192
Other city tax	49,896	530,922	518,637	470,316
Licenses and permits	9,561	16,919	13,996	12,716
Use of money and property	77,242	124,947	122,885	57,812
Intergovernmental	1,013,722	734,666	1,284,581	1,444,643
Charges for service	90,865	82,156	102,738	610,186
Special assessments	77,482	42,006	44,293	56,985
Miscellaneous	653,437	320,697	530,355	211,064
Total	<u>\$5,624,141</u>	<u>\$4,916,902</u>	<u>\$5,572,460</u>	<u>\$5,980,463</u>
Disbursements:				
Operating:				
Public safety	\$2,200,006	\$1,622,661	\$1,392,754	\$1,366,002
Public works	833,041	740,320	938,632	1,631,102
Health and social services	17,006	16,949	17,112	16,738
Culture and recreation	1,029,824	828,939	944,029	725,482
Community and economic development	477,154	527,060	852,157	409,922
General government	461,724	208,470	211,020	210,932
Debt service	1,020,256	1,067,200	614,222	854,348
Capital projects	656,383	1,951,105	3,541,786	2,078,370
Total	<u>\$6,695,394</u>	<u>\$6,962,704</u>	<u>\$8,511,712</u>	<u>\$7,292,896</u>

See Accompanying Independent Auditor's Report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$2,317,202	\$2,166,005	\$2,273,373	\$1,958,300	\$1,926,282	\$1,853,479
-	-	-	-	-	-
652,813	551,912	402,674	504,054	511,596	529,341
441,876	415,194	456,982	425,235	418,410	400,659
12,444	9,256	8,915	9,982	7,395	7,670
24,902	44,165	26,389	19,157	19,411	23,259
921,652	1,249,091	1,303,871	639,717	695,071	700,411
571,112	557,217	524,467	504,566	484,158	497,937
61,518	65,502	89,163	877,514	114,279	153,610
175,567	397,733	1,565,086	132,723	190,791	485,805
<u>\$5,179,086</u>	<u>\$5,456,075</u>	<u>\$6,650,920</u>	<u>\$5,071,248</u>	<u>\$4,367,393</u>	<u>\$4,652,171</u>
\$1,406,053	\$1,629,297	\$3,927,111	\$1,513,973	\$1,226,621	\$1,526,479
976,106	1,348,719	1,876,976	1,125,455	1,369,665	1,306,080
17,225	17,253	17,656	17,130	14,644	17,037
937,392	818,601	800,298	690,924	662,552	722,427
811,907	1,177,808	833,984	617,488	702,580	371,083
475,004	302,858	269,248	259,247	246,942	225,828
859,743	3,117,853	875,699	729,224	628,876	628,974
1,037,831	75,478	13,704	8,661	15,332	10,051
<u>\$6,521,261</u>	<u>\$8,487,867</u>	<u>\$8,614,676</u>	<u>\$4,962,102</u>	<u>\$4,867,212</u>	<u>\$4,807,959</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Forest City, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated November 11, 2021. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Forest City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Forest City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Forest City's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Forest City's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (B) and (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There were no deficiencies described in the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Forest City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Forest City's Responses to the Findings

The City of Forest City's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Forest City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Forest City during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
November 11, 2021

CITY OF FOREST CITY, IOWA
Schedule of Findings
Year Ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Countersignature of Checks

Criteria - Management is responsible for establishing and maintaining control over disbursements. Dual signatures help prevent losses from improper disbursements.

Condition - The City requires checks to be signed by two authorized individuals. I noted several checks with only one authorized signature.

Cause - Procedures have not been established to ensure checks have dual signatures.

Effect - Inadequate procedures could adversely affect the City's ability to detect and correct misstatements on a timely basis.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

(B) Bank Reconciliations

Criteria - An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition - Reconciliations of book balances to the bank accounts by fund were not prepared properly during the audit period.

Cause - City policies do not require and procedures have not been established to ensure bank and investment account balances are reconciled monthly to the book balances recorded on the accounting system.

Effect - Lack of performing a comparison of book balances with the bank reconciliation balances could result in undetected errors or unauthorized activities.

Recommendation - To improve financial accountability and control, a monthly reconciliation by fund of the book and bank balances should be prepared by the City. Any differences should be investigated and resolved in a timely manner.

Response - We will begin performing monthly reconciliations.

Conclusion - Response accepted.

CITY OF FOREST CITY, IOWA
Schedule of Findings
Year Ended June 30, 2021

Findings Related to the Financial Statements: - continued

(C) Posting of Financial Transactions

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - Not all receipts and disbursements were recorded in the general ledger and other entries were posted improperly.

Cause - City policies do not require and procedures have not been established to provide for an independent review of receipts and disbursements to ensure the City's financial statements are accurate.

Effect - Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation - The City should establish procedures to ensure all receipts and disbursements are properly recorded and reported in the City's general ledger.

Response - We will review this in the future to avoid errors to general ledger postings.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the general government and debt service functions. Chapter 384.18 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, the City adopted the amended budget after May 31st.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

Response - The budget will be amended in the future, if applicable, in accordance with the Code of Iowa.

Conclusion - Response accepted.

- (2) Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

CITY OF FOREST CITY, IOWA
Schedule of Findings
Year Ended June 30, 2021

Other Findings Related to Required Statutory Reporting: - continued

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (7) City Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

The City went into closed sessions on August 17, 2020 and December 12, 2020. However, the minutes record did not document the reason for holding a closed session by reference to a specific exemption under Chapter 21.5 of the Code of Iowa as required by Chapter 21.5(2) of the Code of Iowa, commonly known as the open-meetings law. Also, the City did not publish a summary of receipts.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and document the required specific information for closed sessions. Also, the City should publish minutes as required.

Response - We will comply with the Code requirements for closed session. We will publish minutes as required.

- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.
- (10) Annual Urban Renewal Report - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.
- (11) Transfers - Rule 545-2 of the Iowa Administrative Code requires transfers between funds be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the affected funds and the dollar amount to be transferred. The City made transfers between funds which were not approved by resolution. Other transfers were made prior to approval.

Recommendation - The City Council should ensure all transfers are approved by resolution, including all the required elements prior to the actual transfer, as required.

Response - We will do this.

Conclusion - Response accepted.